

**City of Imperial
Annual Financial Report
For the Fiscal Year Ended June 30, 2009**

CITY OF IMPERIAL
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS

I. FINANCIAL SECTION

A. Independent Auditor's Report.....	1
B. Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities.....	4
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	6
Reconciliation of the Balance Sheet of Governmental Funds	
to the Statement of Net Assets.....	9
Statement of Revenues, Expenditures, and Changes in Fund Balances	10
Reconciliation of the Statement of Revenues, Expenditures, and	
Changes in Fund Balances of Governmental Funds to the Statement	
of Activities	13
Proprietary Funds:	
Statement of Net Assets.....	14
Statement of Revenues, Expenses, and Changes in Fund Net Assets	15
Statement of Cash Flows	16
Fiduciary Funds:	
Statement of Fiduciary Net Assets	19
Notes to Basic Financial Statements.....	21
C. Required Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances –	
Budget and Actual:	
General Fund.....	49
Redevelopment Agency Housing	
Special Revenue Fund.....	51
D. Other Supplemental Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance –	
Budget and Actual:	
Redevelopment Agency Capital Projects Fund.....	53
Nonmajor Governmental Funds:	
Combining Balance Sheet.....	54
Combining Statement of Revenues, Expenditures, and Changes	
in Fund Balances.....	62
Schedules of Revenues, Expenditures, and Changes in Fund Balances –	
Budget and Actual:	
Traffic Congestion Relief Special Revenue Fund	70
Traffic Safety Special Revenue Fund.....	71
Gas Tax Special Revenue Fund.....	72
Local Transportation Special Revenue Fund.....	73
Dial-A-Ride Special Revenue Fund	74
Public Safety Prop. 172 Special Revenue Fund	75
Homeland Security Special Revenue Fund	76

CITY OF IMPERIAL
ANNUAL FINANCIAL REPORT
Fiscal Year Ended June 30, 2009

TABLE OF CONTENTS

D. Other Supplemental Information: (Continued)

Nonmajor Governmental Funds: (Continued)

Schedules of Revenues, Expenditures, and Changes in Fund Balances –
Budget and Actual: (Continued)

Police Asset Forfeiture Special Revenue Fund	77
COPS Grant 2005 Special Revenue Fund	78
CDBG Home Grant Special Revenue Fund	79
Housing Rehab Special Revenue Fund.....	80
RLA Grant Special Revenue Fund	81
Sewer Clark Road Special Revenue Fund	82
Wildflower Landscape Lighting Special Revenue Fund	83
Paseo Del Sol Lighting and Landscape Special Revenue Fund	84
Joshua Tree Street Improvement Special Revenue Fund	85
Library Grant Special Revenue Fund	86
Clark Road 4 Lane Special Revenue Fund	87
Aten Clark Traffic Special Revenue Fund.....	88
Aten & Highway 86 Special Revenue Fund.....	89
OTS Grant Special Revenue Fund.....	90
COPS 2006 Grant Special Revenue Fund	91
Sky Ranch District Special Revenue Fund.....	92
Fire Impact Fees Special Revenue Fund	93
Police Impact Fees Special Revenue Fund.....	94
Admin Impact Fees Special Revenue Fund.....	95
Library Impact Fees Special Revenue Fund.....	96
Park Impact Fees Special Revenue Fund.....	97
Circulation Impact Fees Special Revenue Fund.....	98
LTA Measure D Special Revenue Fund.....	99
Colonias Special Revenue Fund	100



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Independent Auditor's Report

The Members of the City Council of the
City of Imperial
Imperial, California

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Imperial, California (City) as of and for the fiscal year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Imperial, California, as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 of the notes to basic financial statements effective July 1, 2008, the City adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligation*; GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*; GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements of Auditing Standards*.

In accordance with Government Auditing Standards, we have also issued a report dated February 16, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The City has not presented management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements. The Budgetary Comparison Schedules for the General Fund on pages 51 and 52, and the Redevelopment Housing Special Revenue Fund on page 53, are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and therefore express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The major capital project fund budgetary comparison schedule, combining nonmajor fund financial statements, and budgetary comparison schedules nonmajor funds are presented for purposes of additional analysis and are not required parts of the basic financial statements. The major capital project fund budgetary comparison schedule, combining nonmajor fund financial statements, and budgetary comparison schedules nonmajor funds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Moss, Levy & Hartzheim

Moss, Levy & Hartzheim, LLP
Beverly Hills, California
February 16, 2010

**FINANCIAL
SECTION**

CITY OF IMPERIAL
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
Assets:			
Cash and investments	\$ 9,943,436	\$ 2,934,967	\$ 12,878,403
Restricted assets:			
Cash and investments with fiscal agents	18,153,780	3,402,853	21,556,633
Receivables:			
Accounts	739,779	887,916	1,627,695
Notes	1,519,317		1,519,317
Interest	23,819	2,788	26,607
Land held for resale	311,012		311,012
Inventory		7,766	7,766
Deferred charges, net of accumulated amortization	1,234,874	1,854,762	3,089,636
Capital assets not being depreciated		79,683	79,683
Capital assets, net of accumulated depreciation	16,326,497	23,503,940	39,830,437
Total Assets	48,252,514	32,674,675	80,927,189
Liabilities:			
Accounts payable	431,984	28,708	460,692
Accrued interest payable	95,496	192,066	287,562
Deposits payable	2,053,345	85,701	2,139,046
Noncurrent liabilities:			
Due within one year	695,096	916,816	1,611,912
Due in more than one year	24,883,641	18,596,341	43,479,982
Total Liabilities	28,159,562	19,819,632	47,979,194
Net assets:			
Invested in capital assets, net of related debt	8,275,255	5,993,385	14,268,640
Restricted for:			
Housing	5,656,489		5,656,489
Public Safety	367,092		367,092
Streets and Roads	466,310		466,310
Debt service	4,983,394	3,210,787	8,194,181
Unrestricted	344,412	3,657,687	4,002,099
Total Net Assets	\$ 20,092,952	\$ 12,855,043	\$ 32,947,995

See Notes to Basic Financial Statements

CITY OF IMPERIAL
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants
Primary Government:				
Governmental Activities:				
General government	\$ (2,001,621)	\$ 200,000	\$ 1,428,875	\$ -
Public safety	(3,074,666)	223,736	403,338	
Public works	(1,300,335)	982,571	901,323	
Community development	(2,119,363)		678,610	
Parks and recreation	(521,546)		69,800	
Library	(165,616)		26,359	
Interest on long-term debt	(1,164,184)			
Unallocated depreciation	(1,098,677)			
Total Governmental Activities	<u>(11,446,008)</u>	<u>1,406,307</u>	<u>3,508,305</u>	
Business-type Activities:				
Water	(3,000,786)	2,908,117		
Wastewater	<u>(2,345,205)</u>	<u>2,267,983</u>		
Total Business-type Activities	<u>(5,345,991)</u>	<u>5,176,100</u>		
Total Primary Government	<u>\$ (16,791,999)</u>	<u>\$ 6,582,407</u>	<u>\$ 3,508,305</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property taxes

Transient occupancy taxes

Sales taxes

Franchise taxes

Other taxes

Use of money and property

Other

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Fiscal Year

Prior Period Adjustments

Net Assets at Beginning of Fiscal Year, restated

Net Assets at End of Fiscal Year

See Notes to Basic Financial Statements

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (372,746)	\$ -	\$ (372,746)
(2,447,592)		(2,447,592)
583,559		583,559
(1,440,753)		(1,440,753)
(451,746)		(451,746)
(139,257)		(139,257)
(1,164,184)		(1,164,184)
(1,098,677)		(1,098,677)
(6,531,396)		(6,531,396)
	(92,669)	(92,669)
	(77,222)	(77,222)
	(169,891)	(169,891)
(6,531,396)	(169,891)	(6,701,287)
3,566,842		3,566,842
21,013		21,013
2,986,841		2,986,841
283,155		283,155
150,000		150,000
223,874	38,740	262,614
111,080		111,080
7,342,805	38,740	7,381,545
811,409	(131,151)	680,258
19,357,318	12,986,194	32,343,512
(75,775)		(75,775)
19,281,543	12,986,194	32,267,737
\$ 20,092,952	\$ 12,855,043	\$ 32,947,995

**CITY OF IMPERIAL
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009**

	General	Redevelopment Agency Capital Projects	Redevelopment Agency Housing Special Revenue	Redevelopment Agency Debt Service
Assets:				
Cash and investments	\$ 2,780,542	\$ -	\$ 247,231	\$ -
Cash and investments with fiscal agents		11,614,121	4,745,915	1,610,054
Receivables:				
Accounts	385,565		5,407	21,630
Notes		501,975		
Interest	7,786		1,263	
Due from other funds	798,612		471,459	3,579,801
Land held for resale		311,012		
Total Assets	\$ 3,972,505	\$ 12,427,108	\$ 5,471,275	\$ 5,211,485
Liabilities:				
Accounts payable	\$ 115,299	\$ 400	\$ -	\$ 316,285
Due to other funds		4,051,260		
Deferred revenue		501,975		
Deposits payable	2,053,345			
Total Liabilities	2,168,644	4,553,635		316,285
Fund Balances:				
Reserved:				
Reserved for housing			5,471,275	
Reserved for land held for resale		311,012		
Reserved for debt service				4,895,200
Unreserved reported in:				
General fund	1,803,861			
Special revenue funds				
Capital projects funds		7,562,461		
Total Fund Balances	1,803,861	7,873,473	5,471,275	4,895,200
Total Liabilities and Fund Balances	\$ 3,972,505	\$ 12,427,108	\$ 5,471,275	\$ 5,211,485

See Notes to Basic Financial Statements

Other Governmental Funds	Total Governmental Funds
\$ 6,915,663	\$ 9,943,436
183,690	18,153,780
327,177	739,779
1,017,342	1,519,317
14,770	23,819
	4,849,872
	311,012
<u>\$ 8,458,642</u>	<u>\$ 35,541,015</u>
\$ -	\$ 431,984
798,612	4,849,872
1,017,342	1,519,317
	2,053,345
<u>1,815,954</u>	<u>8,854,518</u>
41,713	5,512,988
183,690	311,012
	5,078,890
	1,803,861
6,417,285	6,417,285
	7,562,461
<u>6,642,688</u>	<u>26,686,497</u>
<u>\$ 8,458,642</u>	<u>\$ 35,541,015</u>

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CITY OF IMPERIAL
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2009

Fund balances of governmental funds	\$	26,686,497
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets net of accumulated depreciation have not been included as financial resources in governmental funds.		16,326,497
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Certain notes receivable are not available to pay for current period expenditures and, therefore are offset by deferred revenue in the governmental funds.		1,519,317
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Long-term debt and compensated absences have not been included in the governmental funds.

Long-term debt		(25,640,935)
Deferred loss on refunding		190,283
Original issue discount		81,241
Compensated absences		(209,326)

Deferred charges, net of accumulated amortization for debt issuance costs on long-term debt have not been reported in the governmental funds.		1,234,874
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Accrued interest payable from the current portion of interest due on long-term debt has not been reported in the governmental funds.		(95,496)
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Net assets of governmental activities	\$	20,092,952
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See Notes to Basic Financial Statements

CITY OF IMPERIAL
STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2009

	General	Redevelopment Agency Capital Projects	Redevelopment Agency Housing Special Revenue	Redevelopment Agency Debt Service
Revenues:				
Taxes and assessments	\$ 3,290,245	\$ -	\$ 599,192	\$ 2,388,766
Licenses and permits	260,494			
Intergovernmental	1,393,325			
Charges for services	1,123,060			
Use of money and property	59,640	28,923	40,540	26,358
Fines and forfeitures	186,461			
Miscellaneous	24,571	86,509		
Total Revenues	6,337,796	115,432	639,732	2,415,124
Expenditures:				
Current:				
General government	2,055,073			
Public safety	2,995,751			
Public works	1,114,835			
Community development	323,931	727,665	5,682	648,810
Parks and recreation	514,856			
Library	160,935			
Capital outlay	13,511	1,747,970		
Debt service:				
Principal retirement	138,013			450,000
Interest and fiscal charges				1,154,129
Total Expenditures	7,316,905	2,475,635	5,682	2,252,939
Excess of Revenues Over (Under) Expenditures	(979,109)	(2,360,203)	634,050	162,185
Other Financing Sources (Uses):				
Transfers in	965,861			320,826
Transfers out	(186,828)	(120,000)	(550,826)	
Total Other Financing Sources (Uses)	779,033	(120,000)	(550,826)	320,826
Net Change in Fund Balances	(200,076)	(2,480,203)	83,224	483,011
Fund Balances, Beginning of Fiscal Year	2,079,712	10,353,676	5,388,051	4,412,189
Prior Period Adjustments	(75,775)			
Fund Balances, Beginning of Fiscal Year, restated	2,003,937	10,353,676	5,388,051	4,412,189
Fund Balances, End of Fiscal Year	\$ 1,803,861	\$ 7,873,473	\$ 5,471,275	\$ 4,895,200

See Notes to Basic Financial Statements

Other Governmental Funds	Total Governmental Funds
\$ 729,648	\$ 7,007,851
	260,494
1,860,586	3,253,911
90,686	1,213,746
68,413	223,874
	186,461
	111,080
<u>2,749,333</u>	<u>12,257,417</u>
34,062	2,089,135
78,915	3,074,666
185,500	1,300,335
408,769	2,114,857
6,690	521,546
4,681	165,616
135,779	1,897,260
175,000	763,013
10,880	1,165,009
<u>1,040,276</u>	<u>13,091,437</u>
<u>1,709,057</u>	<u>(834,020)</u>
887,035	2,173,722
(1,316,068)	(2,173,722)
<u>(429,033)</u>	
<u>1,280,024</u>	<u>(834,020)</u>
5,362,664	27,596,292
	(75,775)
<u>5,362,664</u>	<u>27,520,517</u>
<u>\$ 6,642,688</u>	<u>\$ 26,686,497</u>

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CITY OF IMPERIAL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2009

Net change in fund balances - total governmental funds	\$	(834,020)
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Amounts reported for governmental activities in the statement of activities differ because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those capital assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeds depreciation in the current period.		784,511
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Certain notes receivable are reported in the governmentanl funds as expenditures and then offset by a deferred revenue as they are not available to pay current expenditures. Likewise when the note is collected it is reflected in revenue. This is the net change between notes receivable collected and issued.		9,566
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The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Issuance of bond principal is an other financing source and repayment of bond principal is an expenditure in governmental funds, but the issuance increases long-term liabilities and the repayment reduces long-term liabilities in the statement of net assets. This is the net change between principal repaid and issued for the current period.

Principal retirement	\$ 763,013	
		763,013

Debt issuance costs are expenditures in the governmental funds, but these costs are capitalized and amortized on the statement of net assets. This is the amount of amortization in the current period		(127,970)
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Accrued interest is interest due on long-term debt payable. This is the net change in accrued interest for the current period.		825
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Compensated absence expenditures reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in a governmental fund. This is the net change in compensated absences for the current period.		215,484
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Change in net assets of governmental activities	\$	811,409
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CITY OF IMPERIAL
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2009

	Business-type Activities - Enterprise Funds		
	Water	Wastewater	Totals
ASSETS			
Current Assets:			
Cash and cash investments	\$ 1,980,775	\$ 954,192	\$ 2,934,967
Restricted cash and investments with fiscal agents	1,957,630	1,445,223	3,402,853
Accounts receivable, net	544,788	343,128	887,916
Interest receivable	2,128	660	2,788
Inventory	7,766		7,766
Total Current Assets	4,493,087	2,743,203	7,236,290
Noncurrent Assets:			
Deferred issuance costs, net	1,133,723	721,039	1,854,762
Capital assets:			
Land		79,683	79,683
Depreciable infrastructure, net	6,399,820	6,871,415	13,271,235
Depreciable buildings and improvements, net	5,838,302	4,366,862	10,205,164
Depreciable equipment, net	10,882	16,659	27,541
Total Noncurrent Assets	13,382,727	12,055,658	25,438,385
Total Assets	17,875,814	14,798,861	32,674,675
LIABILITIES			
Current Liabilities:			
Accounts payable	8,697	20,011	28,708
Accrued interest payable	106,520	85,546	192,066
Deposits payable	85,001	700	85,701
Current portion of long-term obligations	534,638	382,178	916,816
Total Current Liabilities	734,856	488,435	1,223,291
Noncurrent liabilities:			
Noncurrent portion of long-term obligations:			
Compensated absences	41,737	19,604	61,341
Certificates of participation payable	10,225,000	8,310,000	18,535,000
Total Noncurrent Liabilities	10,266,737	8,329,604	18,596,341
Total Liabilities	11,001,593	8,818,039	19,819,632
NET ASSETS			
Invested in capital assets, net of related debt	2,623,089	3,363,480	5,986,569
Restricted for debt service	1,851,110	1,359,677	3,210,787
Unrestricted	2,400,022	1,257,665	3,657,687
Total Net Assets	\$ 6,874,221	\$ 5,980,822	\$ 12,855,043

See Notes to Basic Financial Statements

CITY OF IMPERIAL
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds		
	Water	Wastewater	Totals
Operating Revenues:			
Sales and service charges	\$ 2,905,955	\$ 2,265,853	\$ 5,171,808
Other	2,162	2,130	4,292
Total Operating Revenues	2,908,117	2,267,983	5,176,100
Operating Expenses:			
Salaries and benefits	651,762	465,031	1,116,793
Contractual services	94,097	74,941	169,038
Materials and supplies	222,542	108,467	331,009
Repairs and maintenance	227,581	192,131	419,712
General government	43,217	61,215	104,432
Water purchases	249,640		249,640
Utilities	101,758	215,228	316,986
Insurance	108,153	103,653	211,806
Depreciation	696,057	650,391	1,346,448
Total Operating Expenses	2,394,807	1,871,057	4,265,864
Operating Income (Loss)	513,310	396,926	910,236
Nonoperating Revenues (Expenses):			
Interest revenue	25,380	13,360	38,740
Amortization expense	(88,951)	(59,339)	(148,290)
Interest expense	(517,028)	(414,809)	(931,837)
Total Nonoperating Revenues (Expenses)	(580,599)	(460,788)	(1,041,387)
Changes in Net Assets	(67,289)	(63,862)	(131,151)
Net Assets			
Beginning of fiscal year	6,941,510	6,044,684	12,986,194
End of fiscal year	\$ 6,874,221	\$ 5,980,822	\$ 12,855,043

See Notes to Basic Financial Statements

CITY OF IMPERIAL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009

	Business-type Activities - Enterprise Funds	
	Water	Wastewater
Cash Flows from Operating Activities:		
Cash received from customers and users	\$ 2,684,218	\$ 2,104,218
Cash paid to suppliers for goods and services	(964,795)	(556,257)
Cash paid to employees for services	(667,440)	(449,934)
Net Cash Provided (Used) by Operating Activities	1,051,983	1,098,027
Cash Flows from Capital and Related Financing Activities:		
Purchases of capital assets	(113,729)	(179,167)
Principal paid on long-term debt	(515,000)	(375,000)
Interest paid on long-term debt	(521,122)	(417,802)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,149,851)	(971,969)
Cash Flows from Investing Activities:		
Interest received	29,927	16,507
Net Cash Provided (Used) by Investing Activities	29,927	16,507
Net Increase (Decrease) in Cash and Cash Equivalents	(67,941)	142,565
Cash and Cash Equivalents at Beginning of Fiscal Year	4,006,346	2,256,850
Cash and Cash Equivalents at End of Fiscal Year	<u>\$ 3,938,405</u>	<u>\$ 2,399,415</u>
Reconciliation to Statement of Net Assets:		
Cash and investments	\$ 1,980,775	\$ 954,192
Restricted cash and investments with fiscal agents	1,957,630	1,445,223
	<u>\$ 3,938,405</u>	<u>\$ 2,399,415</u>

See Notes to Basic Financial Statements

Totals

\$ 4,788,436
(1,521,052)
(1,117,374)

2,150,010

(292,896)
(890,000)
(938,924)

(2,121,820)

46,434

46,434

74,624

6,263,196

\$ 6,337,820

\$ 2,934,967
3,402,853

\$ 6,337,820

(Continued)

CITY OF IMPERIAL
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2009
(Continued)

	Business-type Activities - Enterprise Funds		Totals
	Water	Wastewater	
Reconciliation of Operating Income (loss) to Net Cash Provided (Used) by Operating Activities:			
Operating income (loss)	\$ 513,310	\$ 396,926	\$ 910,236
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	696,057	650,391	1,346,448
Adjustments:			
(Increase) decrease in accounts receivable	(231,713)	(163,765)	(395,478)
(Increase) decrease in inventory	7,814		7,814
(Increase) decrease in due from other funds	126,610	203,270	329,880
Increase (decrease) in accounts payable	(56,614)	(4,592)	(61,206)
Increase (decrease) in compensated absences	(15,678)	15,097	(581)
Increase (decrease) in deposits payable	12,197	700	12,897
Total Adjustments	538,673	701,101	1,239,774
Net Cash Provided (Used) by Operating Activities	\$ 1,051,983	\$ 1,098,027	\$ 2,150,010

See Notes to Basic Financial Statements

CITY OF IMPERIAL
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2009

	<u>Agency Fund</u>
Assets:	
Cash and investments with fiscal agents	<u>\$ 19,901,395</u>
Total Assets	<u>19,901,395</u>
Liabilities:	
Due to bondholders	<u>\$ 19,901,395</u>
Total Liabilities	<u>19,901,395</u>
Net Assets:	
Net Assets	<u>\$ -</u>

See Notes to Basic Financial Statements

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